

CHAPTER 9

GENERAL PROVISIONS

TREASURER

The county treasurer of the county in which the hospital is located shall be the treasurer of the governing board; however, the board, with the approval of the county executive, may elect a treasurer who shall also serve as the disbursing officer of the hospital. [IC 16-22-2-9(b)]

OFFICIAL BONDS

The executive director and all persons whose duty it is to handle funds of the hospital must execute a corporate surety bond in the amount and with conditions required by the board. If a treasurer is elected by the board, the treasurer shall be separately bonded in an amount fixed by the board but not less than \$25,000. The board may elect an assistant treasurer who may not be a member of the board and who must be separately bonded in an amount fixed by the board greater than \$25,000. The bond on all persons except the treasurer and assistant treasurer may be a blanket corporate surety bond conditioned for the faithful performance of duties. All bonds required by this subsection must be approved by the board and filed with the county recorder. [IC 16-22-2-9(c)]

GOVERNING BOARD AS SUPREME AUTHORITY

The governing board is the supreme authority in a hospital and is responsible for the management, control, and operation of the hospital. The board has the powers and duties set forth in this chapter. The governing board has the powers granted to boards of nonprofit corporations under IC 23-17. [IC 16-22-3-1]

POWERS OF THE GOVERNING BOARD

The governing board may do the following: [IC 16-22-3-11]

- (1) Adopt an employee benefit program that may include a vacation policy and employee discounts.
- (2) Authorize expenditure of hospital funds for payment of advertising and placement fees for personnel and physicians.
- (3) Expend hospital funds in an amount not to exceed 0.5% of hospital revenues for the preceding calendar year for a program that directly contributes to the productivity or morale of personnel, volunteers, or physicians. However, this subdivision does not apply to an employee benefit program under subdivision (1), or an employee compensation arrangement, including a productivity bonus.
- (4) Adopt a plan that provides for hospital employee sickness or accident disability and contract for and purchase insurance plans from an insurance company licensed to transact business in Indiana.
- (5) Contract for and purchase adequate pension and retirement plans for hospital personnel from the public employee's retirement fund of Indiana or from any company authorized to do such business in Indiana.

POWERS OF THE GOVERNING BOARD (continued)

- (6) Enter into deferred compensation agreements with employees and other contractual personnel and fund deferred obligations by contracting with insurance companies licensed to transact business in Indiana.
- (7) Expend hospital funds to pay dues of the executive director and department heads for memberships in local, state, or national hospital or professional associations or organizations that the board determines are of direct benefit to the hospital.
- (8) Establish and operate employee registries for part-time or temporary hospital employees.
- (9) Pay a part or all of the costs of these plans out of hospital funds.
- (10) Expend hospital funds for reasonable expenses incurred by persons and their spouses who are interviewed for employment or for medical staff appointment and for reasonable moving expenses for the persons and their spouses if employed or appointed to the hospital medical staff.
- (11) Expend hospital funds, advance tuition payments, or establish a tuition refund program for the education or professional improvement of nurses and other professional or technical employees of the hospital for inservice training and attending seminars or other special courses of instruction when the board determines that the expenditures directly benefit the hospital.
- (12) Conduct business in a state adjacent to Indiana. (IC 16-22-3-11)

POWERS OF BOARD

"The board is a body corporate and politic with the style of "The Board of Trustees of _____ Hospital," to include the full name of the hospital. In that name and capacity, the board may do the following:

- (1) Sue and be sued . . .
- (2) Possess the real and personal property of the hospital and the hospital funds in the hospital's corporate name for the hospital's benefit.
- (3) Exercise the other powers, duties and responsibilities set forth in this article." [IC 16-22-3-24]

COMPENSATION AND MANAGEMENT POLICIES

"Upon the recommendation of the executive director, a governing board shall do the following:

- (1) Fix the compensation, including incentives for productivity, of all hospital employees.
- (2) Adopt personnel and management policies consistent with the governing boards of other hospitals in Indiana." [IC 16-22-3-10]

EXECUTIVE DIRECTOR

"The governing board shall appoint an executive director as the administrative head of the hospital. The executive director:

- (1) Is the executive agent of the board in the administration of the board's policies;

EXECUTIVE DIRECTOR (continued)

- (2) Is the liaison officer between the board and the medical staff;
- (3) Shall employ hospital personnel; and
- (4) Has the other powers and duties delegated to the executive director by the board or specifically assigned to the executive director in this article." [IC 16-22-3-8]

DUTIES OF STATE BOARD OF ACCOUNTS

The state board of accounts shall approve or prescribe the manner in which the hospital records are kept, shall audit the records of the hospital, and may approve forms for use by all hospitals or groups of hospitals. [IC 16-22-3-12(a)]

HOSPITAL FINANCIAL RECORDS

A governing board that receives a financial subsidy from the county for hospital operations, excluding mental health or ambulance services, during the preceding calendar or fiscal year must file with the county executive and the county fiscal body an annual report showing the income and expenses of the operating fund for the preceding calendar or fiscal year by major classification according to the chart of accounts approved by the state board of accounts. The annual report shall be published one time. Hospital records may be kept in hard copy, on microfilm, or via another data system acceptable to the state board of accounts. [IC 16-22-3-12(b)]

CHARGES FOR SERVICES

"The governing board shall establish reasonable charges for patient care and other hospital services for the residents of the county and may provide patient care and other hospital services to nonresidents of the county upon terms and conditions the board establishes by rule." [IC 16-22-3-13(a)]

DEPOSIT OF MONEY

"Money in the hospital funds shall be deposited in the manner determined by the governing board." [IC 16-22-3-16]. To provide for adequate safeguarding of cash, receipts should be deposited in the depository or depositories designated by the governing board in a timely manner.

INVESTMENT OF HOSPITAL FUNDS

- (a) As used in this section, "financial institution" has the meaning set forth in IC 5-13-4-10.
- (b) The board may invest money in the hospital funds within the county or the state as the board determines. The money may be invested in the following:
 - (1) Any account paying interest and subject to withdrawal by negotiable orders of withdrawal, unlimited as to amount or number (NOW accounts).
 - (2) Passbook savings accounts.

INVESTMENT OF HOSPITAL FUNDS (continued)

- (3) Certificates of deposit.
- (4) Money market deposit accounts.
- (5) Any interest bearing account that is authorized to be set up and offered by a financial institution or brokerage firm registered and authorized to do business in Indiana.
- (6) Repurchase or resale agreements involving the purchase and guaranteed resale of any interest bearing obligations issued or fully insured or guaranteed by the United States or any United States government agency in which type of agreement the amount of money must be fully collateralized by interest bearing obligations as determined by the current market value computed on the day the agreement is effective.
- (7) Mutual funds offered by a financial institution or brokerage firm registered and authorized to do business in Indiana.
- (8) Securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.
- (9) Pooled fund investments for participating hospitals offered, managed, and administered by a financial institution or brokerage firm registered or authorized to do business in Indiana.

This subsection does not prevent the board from using money in the hospital funds to capitalize projects undertaken under section 1(b) and 1© [IC 16-22-3-1(b) and IC 16-22-3-1(c)] of this chapter.

- (c) Any interest derived from an investment under subsection (b) becomes a part of the hospital funds invested. Interest derived from the investment of money raised by bonded or other indebtedness in excess of funds needed for hospital buildings may be applied by the governing board to the appropriate bond redemption, interest, or sinking fund." [IC 16-22-3-20]

PROPERTY AND SUPPLIES

"The governing board may purchase, construct, remodel, repair, enlarge, or acquire buildings and real or personal property for hospital purposes, upon terms and conditions acceptable to the board." [IC 16-22-3-2(a)]

LEASE OF PROPERTY

The governing board may lease real or personal property on reasonable terms and conditions. [IC 16-22-3-3]

ACQUISITION OF SUPPLIES

"The governing board may purchase or acquire materials, services, equipment, and supplies required to operate and maintain the hospital at prices the board considers reasonable." [IC 16-22-3-4]

CLAIMS AGAINST THE HOSPITAL

"Claims against the hospital must be allowed and approved by the governing board before payment by the disbursing officer. However, the board may, subject to review and approval at the board's next regular meeting, authorize the following:

- (1) Compensation of hospital employees upon certification of payrolls by the executive director.
- (2) Payment of invoices for materials, services, equipment, and supplies required for the operation and maintenance of the hospital upon certification by the executive director of the following:
 - (A) The invoices are true and correct.
 - (B) The items were ordered and received by the hospital." [IC 16-22-3-7]

TRANSFER OF HOSPITAL FUNDS

The board may transfer a part of the hospital funds to a nonprofit corporation organized under IC 23-7-1.1 (before its repeal on August 1, 1991) or IC 23-17 that is:

- (1) A hospital foundation organized and operated for the exclusive benefit of the hospital; or
- (2) A related or controlled entity; if adequate provision is made for working capital and other known and anticipated hospital needs.

If a transfer includes public funds of the hospital, the public funds transferred to the foundation or related or controlled entity may be audited by the state board of accounts unless:

- (1) The hospital foundation or related or controlled entity files annually with the treasurer of the hospital a copy of an audit report prepared by an independent certified public accountant; and
- (2) The audit report is on file at the hospital and is made available to the state board of accounts. [IC 16-22-3-14]

SUPPORT FROM COUNTY

The governing board may request support from the county, either by appropriation from the county general fund or by a separate tax levy. If the county provides a direct financial subsidy to a hospital from a tax levy, the hospital board may not provide those funds from to an entity created under IC 16-22-3-1(b) for three years. After three years, all funds, with interest, must be repaid within ten years. Those entities include organizations and associations that benefit the hospital, partnerships and joint ventures, and other corporations. [IC 16-22-3-27]

TAX LEVY TO PAY PORTION OF LEASE OR LOAN PAYMENT

If the board enters into a lease or sublease contract or a loan agreement with the state authority, the board may request the county to adopt a separate tax levy to support the board's obligation to make payments under that contract or agreement. If so, the county council, or city-county council in the case of a county with a consolidated city, shall annually levy a tax that is sufficient to produce each year along with other available funds an amount that is sufficient to pay the portion of the lease or loan payment that is required to be paid from taxes. [IC 16-22-3-27© and 16-22-3-27.5]

LIBERAL CONSTRUCTION OF POWERS OF BOARD

The powers of the board described in this chapter (IC 16-22-3) shall be liberally construed to effect the purposes of this article (IC 16-22) and to enable the hospital to be maintained and operated as a first class hospital. [IC 16-22-3-30]

HOSPITAL SINKING FUNDS

The county officers may establish a cumulative building or sinking fund for the erection of new hospital buildings, the repairing, remodeling, and enlarging of old hospital buildings, and the equipment of new, enlarged, and old hospitals owned and operated by the county, a voluntary nonprofit association, or a nonprofit corporation. Before a cumulative building or sinking fund may be established the officers of the county shall adopt a resolution setting forth the proposal to establish the fund, and shall give ten days notice by publishing the resolution in two newspapers. Upon the approval of a proposal, the county officers may annually levy the tax described in the proposal on all taxable property within the county. The tax rate shall be advertised annually as other tax levies are required by law to be advertised. The fund may not be used for any other purpose than the purpose for which the tax was levied. [IC 16-22-4]

FINANCING HOSPITAL BUILDINGS

A hospital may establish a cumulative building or sinking fund as described in IC 16-22-4, or may continue cumulative building funds established under IC 16-12-16 (before its repeal on September 2, 1971), IC 16-12-15 (before its repeal on July 1, 1993), or IC 16-12-1.4 (before its repeal on July 1, 1993). The county executive may issue and sell general obligation bonds of the county to finance the costs of, or the enlargement or remodeling of, hospital buildings. [IC 16-22-5]

COUNTY HOSPITAL BUILDING AUTHORITIES

The county executive of a county owning and operating only one county hospital may, upon the written request of by the governing board of the hospital, adopt a resolution for the creation of an authority, otherwise referred to as a Hospital Association. The authority is created for the purpose of financing, acquiring, constructing, renovating, equipping, and leasing to the county land and a building, including an existing building, for hospital purposes. [IC 16-22-6]

DEFINED AS POLITICAL SUBDIVISION

A hospital corporation or authority is defined as being a political subdivision. [IC 36-1-2-10 and IC 36-1-2-13]

MEDICAL MALPRACTICE AND PATIENT'S COMPENSATION FUND

The Indiana Medical Malpractice Act (the Act) provides a maximum recovery of \$250,000 for an occurrence of malpractice and \$1,250,000 for any injury or death of a patient due to an act of malpractice. The Act requires a Hospital organized under IC 16-22 to maintain medical malpractice liability insurance in the amount of at least \$250,000 per occurrence and \$5,000,000 or \$7,500,000 in the annual aggregate for hospitals of not more than 100 beds, and for hospitals of more than 100 beds, respectively. The Act requires the hospital to pay a surcharge to the State Patient's Compensation Fund. This fund may be used to pay medical malpractice claims in excess of the annual aggregate, under certain terms and conditions. (IC 27-12)

DISPOSITION OF UNCLAIMED PROPERTY

All intangible personal property held for the owner by the State of Indiana, or any political subdivision thereof, that has remained unclaimed by the owner for more than seven years is presumed abandoned. Every person holding funds or other property, tangible, or intangible, presumed abandoned under this chapter shall report to the attorney general of the state of Indiana with respect to the property as provided in IC 32-9-1.5-26. Unclaimed property may include such things as property left for safekeeping which was not claimed and overpayments on patient accounts not refunded to the patient or his or her representative. [IC 32-9-1.5]

ACTIONS OF GOVERNING BOARD

The hospital is responsible for complying with the decisions of the governing board as evidenced in the board minutes and other written memoranda.

MATERIALS AND SUPPLIES INVENTORY

The hospital is responsible for completing an accurate inventory of materials and supplies on a regular basis.

PHARMACY INVENTORY

The hospital is responsible for completing an accurate inventory of pharmacy goods on a regular basis. The inventory should be performed as near as possible to the end of the hospital's fiscal year.

DEPOSITORY RECONCILEMENTS

To provide for adequate safeguarding of cash and to enable the hospital to identify and correct errors on a timely basis, a reconciliation of the account balances recorded in the accounting records to the balances of the depository accounts should be performed by the hospital at least monthly.